

Economic position of
Great Britain.

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**THE ECONOMIC POSITION OF
GREAT BRITAIN**

BY

A. G. PIGOU AND COLIN CLARK

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(1935)

BY
A. C. FIGOU AND COLIN CLARK

APRIL, 1936.

INTRODUCTION

In 1927 I prepared a pamphlet for the London and Cambridge Economic Service entitled *The Economic Position of Great Britain*. In this an attempt was made to bring together in a collected account the dominant differences in the economic position of Great Britain in 1925-27, as compared with what it was immediately before the War. That pamphlet seems to have been found useful, but, since it was compiled, many important changes have occurred. The present time, the beginning of a new reign, when substantial progress towards recovery from the great depression has been made, is, perhaps, a suitable occasion for bringing it up-to-date and incorporating in it some new material. In this work I have had the advantage of collaboration with Mr. Colin Clark. He has prepared and is responsible for most of the tables ; I have written the text and, the tables being taken as data, am responsible for that.

A. C. PIGOU.

THE ECONOMIC POSITION OF GREAT BRITAIN

1. The topics of which the following pages treat are the numbers of the people, their occupations, their incomes, the relation of these to the circumstances of overseas trade, the fortunes of the wage-earning classes in respect of wages and employment, and housing conditions. These matters are discussed historically with a view to indicating the development that has taken place since the period before the War. In the final section tables are printed setting out estimates of the way in which incomes are distributed (1) among people and (2) among different sorts of purchases at the present time. For the most part the tables relate to Great Britain and Northern Ireland, but some of them, as is, of course, stated in the proper place, are restricted to Great Britain, and some to England and Wales.

I

POPULATION

2. The total populations of Great Britain, as recorded in the censuses of 1911, 1921 and 1931, were respectively: 40,831,000, 42,769,000 and 44,795,000. Thus, over the decennium 1911 to 1921 there was an increase of 4·8%. This rate of increase was far lower than any previously recorded; a result, of course, of the heavy casualties and low birth rate of the War years. Between 1921 and 1931 the increase works out at 4·7%; again, as compared with previous decennia, an abnormally low figure, attributable in the main to the low post-War birth rate. In the three

THE ECONOMIC POSITION OF GREAT BRITAIN

census years the numbers of females per one thousand males were respectively 1,067, 1,094 and 1,088. Between April, 1931, and June, 1935, the total population of Great Britain increased by a further 803,000 to 45,598,000, i.e. by 1·8%.

3. In what may be called the main active part of the population, i.e., persons comprised within the age group 16 to 64, the figures for the census years are (in thousands) as follows :—

TABLE I

	1911.	1921.	1931.
Males	12,154	12,901	14,204
Females	13,191	14,526	15,726

The males and females together comprised in this age group accounted respectively in the census years for 62·0%, 64·1% and 66·7% of the total population. The absolute numbers comprised in it had grown between 1911 and 1921 by 150,000, between 1921 and 1931 by half a million more than the total population—a result of the low birth rate of recent years. But this movement in the part of the population that may be roughly described as of working age is not quite what it seems to be at first glance. Thus between 1911 and 1921 the increase of 3·2% in the *proportion* of persons in the 16 to 64 age group may be resolved into a decrease of 2·4% among those below the age of 45, combined with an increase of 18·3% among those above that age. This plainly suggests that between those years the average quality of the population, so far, at all events, as physique is concerned, had deteriorated. This was, of course, partly due to the heavy loss of life among young men in the War. From 1921 and 1931 the number of males and females together between 16 and 45 increased by 5·8%; the number between 46 and 64 by 17·0%.

THE ECONOMIC POSITION OF GREAT BRITAIN

II

OCCUPATIONS

4. The following tables show, for Great Britain, the numbers of the population in different age groups and the proportions recorded in the three last censuses as "gainfully occupied." It will be understood that not to be "gainfully occupied" by no means implies idleness: for the 'unoccupied' class includes some 10 or 11 million women engaged in looking after their homes. To be gainfully occupied is equivalent, not to doing work, but to be doing paid work, whose output enters into conventional reckonings of the national income.

The higher percentages of occupied persons in 1921 and 1931, as against 1911, is mainly a reflection of the fact that the proportion who were of working age was larger. The most significant item in the Table is the decrease in 1921, and the disappearance in 1931, of occupied persons under 14. The cause of this was the passage in 1920 of the *Employment of Women, Young Persons and Children's Act*, which provided that no child, *i.e.*, person under 14 years of age, may be employed in any industrial undertaking,¹ followed by the Fisher Education Act of 1918, which came into force in 1921. The drop in the proportion of old persons at work between 1921 and 1931, consequent upon the institution of contributory pensions at 65, which became payable in 1928, is also worthy of note. The number of males gainfully occupied in Great Britain increased by 728,000 from 1911 to 1921; the number of females by 277,000. Between 1921 and 1931 the corresponding figures were 1,134,000 and 564,000.

5. The War inevitably brought about large changes in the distribution of the occupied population among different

¹ *Census of 1921, General Report*, p. 89.

TABLE II
Occupied Population of Great Britain 1911-31
 (Figures in 000's)

MALES.									
Age.	1911.			1921.			1931.		
	Population.	Occupied.	%.	Population.	Occupied.	%.	Population.	Occupied.	%.
Under 14	5,913	98	1.7	5,597	44	0.8	5,117	—	—
14 and 15	772	565	73.1	822	532	64.6	713	451	63.3
16-64	12,154	11,744	96.7	12,901	12,450	96.5	14,204	13,656	96.1
65 and over ..	915	520	56.8	1,103	630	57.0	1,425	683	47.9
TOTAL ..	19,754	12,927	65.5	20,423	13,656	66.8	21,459	14,790	68.8

FEMALES.									
Age.	1911.			1921			1931.		
	Population.	Occupied.	%.	Population.	Occupied.	%.	Population.	Occupied.	%.
Under 14	5,892	50	0.8	5,519	29	0.5	5,016	—	—
14 and 15	773	370	47.9	819	366	44.7	703	356	50.6
16-64	13,191	4,864	36.9	14,528	5,158	35.5	15,726	5,754	36.5
65 and over ..	1,221	140	11.5	1,480	148	10.0	1,892	155	8.2
TOTAL ..	21,077	5,424	25.7	22,346	5,701	25.7	23,337	6,265	26.8

10

THE ECONOMIC POSITION OF GREAT BRITAIN

THE ECONOMIC POSITION OF GREAT BRITAIN

employments ; and, although by the time the 1921 census was taken (in June of that year), considerable readjustments towards normal conditions had been made, these were as yet far from complete. For comparisons between 1921 and 1911 the Census authorities are of opinion that, owing to changes in classification, no valid use can, in general, be made of the statistics for *occupations*, as recorded at the two censuses. Resort must, therefore, be had to the *industrial* classification. Under this each person is entered according to the industry of his employer, so that carpenters employed by railways are entered under "Railway"; those by builders, under "Building"; and so on.¹ The most important changes between 1911 and 1921 for England and Wales—difficulties of classification interfere with the construction of a table for Great Britain—may be summarised as follows² :—

TABLE III
Contracted Industries

	1911. (Thousands.)	1921. (Thousands.)	Change.	
			Absolute.	Percentage.
Agriculture	1,230	1,124	- 106	- 8
Cotton	628	596	- 32	- 5
Dressmakers, milliners, etc. ³	401	191	- 210	- 52
Building and construction.	861	758	- 103	- 12
Private domestic service..	1,527	1,232	- 295	- 19

¹ Cf. Bowley, *Special Memorandum*, 17A, London and Cambridge Economic Service, p. 2.

² Cf. Bowley, *Special Memorandum*, 17A, London and Cambridge Economic Service, pp. 8-10.

³ Comparison is affected by changes in classification.

THE ECONOMIC POSITION OF GREAT BRITAIN

Expanded Industries

	1911. (Thousands.)	1921. (Thousands.)	Change.	
			Absolute.	Percentage.
Coal-mining	971	1,133	+ 162	+ 17
Chemicals	133	198	+ 65	+ 49
Iron and steel manufacture.	166	239	+ 73	+ 44
Engineering and ship- building	637	887	+ 250	+ 39
Electrical apparatus ..	80	166	+ 86	+ 107
Cycles and motor-cars ..	99	199	+ 100	+ 101
Gas, water, electricity ..	109	163	+ 54	+ 49
Railways ¹	455	549	+ 94	+ 21
Shipping	144	193	+ 49	+ 34
National government ..	414	647	+ 233	+ 56
Local government ..	298	465	+ 167	+ 56
Entertainment and sports..	71	116	+ 45	+ 63

The decline in agriculture, and the expansion in coal-mining and in the metal trades, were in a line with movements between the 1901 and 1911 censuses, as shown in the *occupational* tables: although for metals the rate of movement was much accelerated.

6. Since 1923 the records of persons insured against unemployment provide much fuller and more continuous information about the occupations of the people than was previously available; though they do not, of course, bring into account those occupations, notably agriculture and domestic service, in which insurance against unemployment has not yet been instituted. A broad picture of the present distribution of wage-earners aged 16-64 in the insured occupations is given in the following table prepared by the Ministry of Labour and printed in the *Ministry of Labour Gazette* for November, 1935 (p. 412). It covers Great Britain and Northern Ireland together:—

THE ECONOMIC POSITION OF GREAT BRITAIN

TABLE IV

Group.	Estimated Number insured at July, 1935.	The preced- ing as per- centages of the total number insured.	Percentage increase (+) or decrease (-) since 1923.
Fishing ¹	32,830	0·2	+ 37·0
Mining and quarrying	1,040,210	6·5	- 20·4
Manufacturing	6,038,620	46·9	+ 5·7
Building and contracting	1,254,170	9·1	+ 55·9
Gas, water and electricity supply ² ..	199,600	22·9	+ 21·0
Transport, communication, storage and distribution ²	2,886,400	1·6	+ 44·4
Commerce, banking, insurance and finance	260,670	6·9	+ 15·9
Miscellaneous services (including pro- fessional services; entertainments and sports; hotel, public house, restaurant, boarding house, club, etc. service; laundries, dyeing and dry cleaning)	860,210	2·3	+ 64·0
National and Local Government ..	485,290	3·6	+ 22·3
All industries and services ..	13,058,000	100	+ 17·0

The most notable facts brought out by this Table are the heavy fall in mining, the very small percentage increase—much less than the increase in the total of insured persons in this age group—of those engaged in manufacturing industries, and the very large expansion in the building industry, associated, of course, with the recent building boom.

7. The table that follows brings together in what is hoped will prove a convenient form a large amount of important statistical information. The table is based on the *Ministry of Labour Gazette* for December, 1935, and on *Agricultural Statistics* (preliminary returns for 1935 in *Agricultural Market Report*):—

¹ The figures for the fishing industry do not include share fishermen, who are outside the scope of the insurance scheme.

² The figures are exclusive of persons excepted from unemployment insurance under certificates of exception.

TABLE V
*Growth and Decline of Employment in Principal Industries 1923-35,
and Unemployment in them 1935.*

	Employment (June, 1935=100%).			Numbers employed June, 1935 (000's).	Percentage change in numbers (aged 16-64) attached to the industry 1923-35	% unemployment, June, 1935.	Estimated net discharge (-) or absorption(+) of labour 1927-35 (000's).
	June, 1929.	June, 1932.	June, 1935.				
Agriculture	99.4	90.5	87.7	783.6		not known	- 110.1
Fishing	117.4	112.0	124.6	27.0	+ 37.0	17.8	+ 2.5
Coal mining	74.0	52.7	54.3	638.5	- 22.2	32.0	- 208.9
All mining and quarrying ..	76.5	54.9	57.1	722.4	- 20.4	30.6	- 313.1
Silk and artificial silk ..	199.6	167.1	207.7	70.5	+115.0	9.4	+ 25.1
Electric lamps, cables, etc.	139.3	158.5	203.1	130.7	+ 99.0	8.1	+ 53.5
Brick and tile .. .	140.7	129.6	169.6	90.4	+ 73.9	10.3	+ 11.9
Electrical engineering ..	144.4	141.4	156.0	87.2	+ 56.2	6.6	+ 13.0
Motor vehicles	134.4	114.4	149.9	257.0	+ 50.8	10.0	+ 39.5
Shirts, collars and under-clothes	126.1	126.6	147.4	90.4	+ 51.7	6.5	+ 18.0
Furniture	135.2	126.9	145.1	121.7	+ 52.2	11.5	+ 16.6
Hosiery	121.2	118.9	124.2	102.2	+ 30.6	11.4	+ 9.1
Printing	119.7	122.1	121.9	255.7	+ 24.8	7.8	+ 16.6
Bread and biscuits	96.2	100.3	108.4	162.7	+ 7.6	9.6	+ 16.6
Drink	111.7	101.7	108.4	98.7	+ 11.9	9.7	- 4.2
Tailoring	109.9	107.5	107.5	186.2	+ 13.7	10.6	- 5.8
Chemicals	111.5	92.9	103.0	91.8	+ 1.7	10.5	+ 5.0
All expanding manufactures ..	121.5	113.7	131.3	3082.6	+ 33.3		+387.0

THE ECONOMIC POSITION OF GREAT BRITAIN

Engineering	105.8	77.3	91.0	460.4	- 17.8	12.6	- 61.0
Boot and shoe	93.1	85.6	90.6	113.8	- 2.8	15.1	- 14.9
Dressmaking	91.7	87.7	88.5	97.0	- 11.3	5.9	- 5.0
Cotton	109.0	79.8	78.4	344.1	- 21.0	22.2	-178.1
Wool	85.2	70.7	78.2	188.6	- 14.5	14.9	- 28.0
Steel	89.6	54.0	77.0	124.0	- 20.6	23.4	- 32.3
Shipbuilding	108.9	46.4	61.5	89.5	- 39.6	42.9	- 69.3
<i>All contracting manufactures ..</i>	100.3	75.2	82.9	2115.6	- 17.1		-510.7
<i>Manufactures</i>	110.4	93.5	106.0	5178.2	+ 5.7		-143.7
<i>Building and Contracting ..</i>	128.0	117.8	144.0	1001.8	+ 55.9	19.8	+108.1
Distributive trades	136.9	149.0	155.3	1799.4	+ 63.0	10.2	+317.3
Transport and distribution ..	125.9	133.0	139.2	2527.0	+ 44.4		+363.8
<i>Gas, water and electricity ..</i>	100.3	101.8	118.1	180.1	+ 21.0	9.7	+ 24.8
Entertainment and sport ..	130.7	155.5	195.8	99.4	+106.9	18.3	+ 38.4
Hotel, restaurant, club, etc.	136.3	141.8	162.9	372.7	+ 67.7	12.4	+ 83.5
Laundries and cleaners ..	131.1	136.5	149.6	148.7	+ 52.3	6.6	+ 28.4
Professions	115.6	126.2	142.2	145.4	+ 43.3	4.6	+ 33.6
Services	130.2	138.8	159.2	766.3	+ 64.0		+183.9
<i>Commerce and finance ..</i>	103.4	107.4	115.8	249.6	+ 15.7	4.1	+ 32.9
<i>National and Local Govern- ment.. ..</i>	100.3	107.2	110.5	401.7	+ 22.3		+ 49.7
Expanded industries ..	125.4	124.9	140.0	7930.4	+ 45.7		+1171.5
Contracted industries ..	90.4	68.3	73.8	3123.6	- 19.0		- 862.7
TOTAL	110.5	100.7	111.7	11054.0	+ 17.0	15.2	+308.8

THE ECONOMIC POSITION OF GREAT BRITAIN

The relation between the changes in the numbers insured in the various industries between 1923 and 1935 and the percentages of unemployment recorded in 1935 is instructive. Thus, in coal-mining, though the number of persons, so to speak, belonging to the industry had decreased by 22%, the unemployment figure was still as high as 32%; and in ship-building, in spite of a contraction of 40%, unemployment stood at 42.9%. The implication is that in these industries, though diminished demand had led to a very substantial reduction in the number of persons belonging to them, adjustment was still far from complete. In the bulk of the industries that had expanded unemployment was near or below 10%, a substantially lower figure than that found in the bulk of the contracted industries. But fishing and entertainment and sport, in spite of a considerable expansion, and building, in spite of a very large expansion, still suffered in 1935 from heavy unemployment. This state of things, at all events as regards building, is almost certainly due to the continued prevalence of those defective methods of engaging labour—casual employment—for the reform of which Sir William Beveridge has for many years been calling without success.¹

III

THE MEANING OF INCOME

8. As was hinted in § 4, our customary conceptions of income are conventional. Real income means roughly the nett flow of goods and services for which money payment is made, and money income means this money payment.² The large volume of unpaid services, which are annually performed, notably the services of women in their own

¹ Cf. *Unemployment, A Problem of Industry*, p. 403.

² The principal qualification which this broad statement needs has to do with houses occupied by their owners. In this country an estimated rental value of such houses is counted by the Income Tax Commissioner in the income of these owners.

THE ECONOMIC POSITION OF GREAT BRITAIN

homes, are not counted as real income, and have no counterpart in money income. On some occasions, when, as happened, for example, during the War, a large number of women pass out from work at home to work in factories, forgetfulness of this fact may lead to serious misconceptions. On all occasions it is important for clarity of thought that the restricted nature of our concepts should be borne in mind.

IV

MONEY INCOME

9. Estimates of aggregate money income for Great Britain and Northern Ireland in 1911 and 1924 were made by Sir Josiah Stamp and Dr. Bowley in collaboration. According to these authorities the aggregate income (ignoring foreign debt and reparations), calculated in money, was, in 1911, £2,026 Mn, in 1924, £4,188 Mn. This comparison is, however, misleading, as Sir Josiah Stamp and Dr. Bowley point out, because these incomes include national debt interest and pensions, which do not represent any current real income. In strict accounting these items, either in themselves or in respect of the direct taxation raised to provide them, should be subtracted before what may be called the *social* income is estimated. They amounted in 1911 to £36 Mn., in 1924 to £361 Mn. When they are subtracted, we are left with social income, expressed in money, standing, in 1911, at £1,988 Mn., in 1924, at £3,803 Mn. Thus the social income of Great Britain and Northern Ireland, expressed in money, rose between 1911 and 1924 by about 90%. Our authors are of opinion that this estimate is not likely to err by more than 5% in either direction; so that the rise may be truly expressed as $90 \pm 5\%$. Allowance being made for growth in numbers, this rise works out at $85 \pm 5\%$ per head.¹

¹ *The National Income in 1924*, p. 49.

THE ECONOMIC POSITION OF GREAT BRITAIN

10. Bowley and Stamp have not repeated their investigation, and it is, therefore, not possible to cite their authority for later years. Mr. Colin Clark has, however, made a series of estimates of the social income of Great Britain and Northern Ireland as above defined. His figure for 1924, based on similar definitions, falls short of that of Bowley and Stamp by £272 Mn., i.e. by a little over 7%. It gives an increase, as against Bowley and Stamp's estimate for 1911, of 77%, instead of $90 \pm 5\%$, for aggregate income and of 67%, instead of $85 \pm 5\%$, for income per head. This discrepancy being left unresolved, Mr. Clark's estimates from 1924 onwards are set out in the following table:—

TABLE VI
*National Income¹ 1924–35 for Great Britain and
Northern Ireland*

	1924.	1929.	1932.	1934.	1935. ²
Total income .. £Mn	3,529	3,912	3,349	3,694	3,909
Income per head .. £	78·6	85·5	72·4	79·0	83·5
Income per occupied ³ person £	172·6	183·8	154·7	168·3	177·7

V

REAL INCOME

11. When between two dates prices have undergone large changes, a mere comparison of money incomes does not tell us much. We instinctively try to penetrate the money façades and to discover what has happened to the 'real' incomes behind them. If the quantities of all the various types of goods and services that become available

¹ Defined in same manner as in Bowley and Stamp. *loc. cit.* The share of Northern Ireland constitutes some 2% of the whole.

² Provisional.

³ The proportion of the population occupied is known for 1921 and 1931, and this proportion is extrapolated linearly for subsequent dates. These figures, therefore, show the general trend of income per occupied person, but do not provide a precise measurement of year-to-year fluctuations.

THE ECONOMIC POSITION OF GREAT BRITAIN

in a year had changed in the same proportion, this proportion would show in an unambiguous way how real incomes had changed. But, when, as, of course, happens in actual life, the quantities of different types of goods and services have altered in very various proportions, real income becomes a shadowy concept. It is no longer a physical entity, susceptible of direct measurement, but a sum of money divided by some index of general prices. Moreover, there are alternative ways of constructing index numbers for this purpose, between which it is not possible to say that this one is right, that one wrong. Over a considerable range the choice can only be arbitrary. Thus the figures, which are offered by statisticians as the best measure they can suggest for changes in real income, have less significance than is popularly supposed. The entities, which they compare, are money incomes, doctored in some one out of a number of possible ways to 'allow for' the fact that the price situation has been changing. What has now to be said is subject to this general caution.

12. In his study of *The Changes in the Distribution of the National Income 1880-1913* Dr. Bowley concluded as follows: "The national dividend (*i.e.* real income of the country) increased more rapidly than the population in the generation before the War, so that average (real) incomes were quite one-third greater in 1913 than in 1880; the increase was gained principally before 1900, since when it has barely kept pace with the diminishing value of money."¹ Thus on the eve of the War real income per head did not show, and had not for some years shown, any tendency towards either expansion or decline; and a continuation of movement along these lines might have been expected to yield substantially the same level of real income per head in 1924 and later years. This is the background against which the actual position in the post-War period has to be viewed.

¹ *Loc. cit.*, p. 26.

THE ECONOMIC POSITION OF GREAT BRITAIN

13. In setting out the position for 1924, Bowley and Stamp convert their figures for money income into real terms on the basis of an estimated price rise, as against 1911, of 88½% for all incomes. This percentage, which corresponds to 76% as against 1914, is somewhat higher than the official wholesale price figure, because manufactures and services are included—along with houses whose assessed value, of course, rose much less than the average. From calculations based on these figures and modified in the light of the evidence of the Census of Production, Bowley and Stamp concluded that, as against 1911, the real income of Great Britain and Northern Ireland in 1924 “was approximately the same in the aggregate, and 5 to 10% less per head.”¹

14. To affect comparisons between 1924 and later dates, Mr. Clark adds to his figure, as given in Table VI, the payments made by the public in indirect taxes and rates, on the ground that these are reflected in the prices of commodities; and he divides by a specially constructed index number representative of the prices of all goods and services sold for consumption in this country. By this procedure he obtains the following indices for aggregate real income, for real income per head and for real income per occupied person: the figure for 1924 being put at 100:—

TABLE VII

	Index of aggregate real income.	Index of real income per head.	Index of real income per occupied ¹ person (including unemployed).	Index of real income per head (excluding unemployed).
1924 .. .	100	100	100	100
1929 .. .	116·2	114·0	111·8	108·3
1932	110·3	106·8	103·7	110·0
1934	123·8	118·8	115·5	116·4
1935 (provisional).	129·5	124·3	120·9	120·7

¹ *The National Income in 1924*, p. 56.

² See also footnotes to Table VI.

THE ECONOMIC POSITION OF GREAT BRITAIN

These figures must be interpreted in the light of the general cautions set out in § 11. Subject to them it appears that there was a substantial increase both in aggregate real income and in real income per head between 1924 and 1929, that a large part of the gain then made was lost during the great slump, and that during the last three years this loss has been, not merely made good, but converted into a clear further gain. Too much stress should not be laid on the 1935 figures, which are necessarily provisional.

15. Some check on these estimates may be obtained by a different method of approach. Of recent years attempts have been made to measure changes in the output of the country's industry, or the physical volume of production—a substantial part of its real income—not by dividing money income by a price index, but, more directly, by means of an output index. Since, for the construction of this index, weights have to be chosen with reference to money values, and since the relative money values of different things vary from time to time, the same difficulty of principle, that hampers calculations about real income in the manner described in §11, is present here. Our indices depend in the last resort upon an arbitrary choice among alternatives, no one of which is unambiguously 'right.' None the less, the indices of production that are now regularly published by the Board of Trade and the London and Cambridge Economic Service, so long as their inevitable limitations are borne in mind, constitute a valuable barometer of the general economic situation. The Board of Trade Index, adjusted to 1924, is given below, accompanied, since the comparative movements of the two series are of interest, by Stamp's index of aggregate (money) profits:—

TABLE VIII
1924 = 100%

1924.	1929.	1930.	1931.	1932.	1933.	1934.	1935.
			Volume of Industrial Production.				
100	111·8	103·3	93·7	93·3	98·6	110·5	116·4
			Aggregate Money Profits.				
100	106·8	92·8	77·4	74·8	84	98	

THE ECONOMIC POSITION OF GREAT BRITAIN

The Index of Production is built on statistics relating to the physical output of mines and factories and (since the beginning of 1934) of the building and contracting trades, and takes no account of agriculture, transport services, distributional activities, or domestic service. Further, of course, real income earned abroad in respect of investments there do not enter into it. We should expect, therefore, that it would diverge substantially from any index of real income constructed on the plan followed in the preceding section. None the less the fact that between 1929 and 1932 the index of production fell three times as much (16·5% as against 5·0%) as the index of real income derived from Mr. Clark's estimates inevitably gives rise to some feeling of discomfort. The discrepancy is in part explained by the fact that during the great slump, while "production" was falling rapidly, the number of persons at work in retail distribution, professions, hotel services and the like was not merely not declining, but actually increasing. More important, perhaps, was the fact, to be considered more particularly later, that the improvement which took place in the terms of trade enabled us, throughout the slump, to obtain cheap and abundant food from overseas. Even so the figures in Table VII wear a certain air of paradox, and must be used with reserve.

VI

THE RELATION OF OVERSEAS TRADE TO REAL INCOME

16. In a purely self-contained country real income would consist in the goods and services produced inside the country for the use of its citizens. In a country that is open to an outside world this is not so. Besides what it provides for its own use, such a country may also receive as income, on the one hand interest on loans previously

THE ECONOMIC POSITION OF GREAT BRITAIN

made overseas, on the other hand goods imported from abroad in exchange for goods and services which it sells overseas. In this country happenings in respect of international business have played an important part in determining the relation between our post-war and our pre-war real income.

17. It will be convenient to set out first the broad facts about the state of British overseas trade prior to 1927, when the first version of this pamphlet was published. The Balfour Committee in their Survey of Overseas Markets, print the following table of British imports and exports *at the average values of the corresponding goods imported or exported in 1913*, and adjusted in 1923 and 1924 for the separation of Southern Ireland from the rest of the United Kingdom :—

TABLE IX
Percentage of 1913, on basis of 1913 prices

	Net Imports. %.	British Exports. %.	
1913	100	100	
1919	89·7	54·9	
1920	87·8	70·9	
1921	73·5	49·8	
1922	86·5	68·9	
1923	94·9	74·5	Corrected for quality changes to [79%]
1924	106·4	75·5	[80%]

The Committee pointed out that the apparent fall in exports, as recorded in this table, was in part illusory. For the quality of some exports, whose name had remained the same, had improved in ways not allowed for in the statistical calculations on which the tables depend, so that the extra value due to improved quality had not been counted. They suggested that, in order to correct this error, the figures for 1923 and 1924 should be raised to 79 and 80 respectively, as is done in the brackets in my table. Sir A. Flux

THE ECONOMIC POSITION OF GREAT BRITAIN

points out that this suggestion "is entirely consistent with the known tendency towards the establishment of the simpler forms of certain manufactures in countries in which no manufacture of these kinds, properly so called, had existed" before the War.¹ The general implication of the table thus corrected is that, while our imports in real terms had maintained themselves, and were, indeed, slightly above their pre-War level, exports had substantially declined.

18. In order that this movement may be seen in true perspective, it must be viewed in connection with the surrounding circumstances. The Balfour Committee found that the exports of the world, reckoned in sterling, rose between 1913 and 1924 from £4,035 Mn. to £5,299 Mn., or 31%; and that the proportion of British exports to world exports rose from 13% to 14%.² A similar calculation for imports gave a rise in the world figure (in which, of course, the British figure is included) from £4,365 Mn. to £5,700 Mn.; with a British proportion rising from 13½% to 16½%.³ Thus, relatively to the world at large, our position in 1924 had become slightly stronger than it was before the War. The practical moral was drawn by Sir A. Flux as follows: "The figures appear to suggest that the restoration of world trade to its former dimensions and capacity of expansion can do more to restore our own export trade and revive the industries that depend on it than a struggle to secure for ourselves trade that has been carried on by some other nation, important as it is to maintain our competitive capacity."⁴

19. Between 1924 and 1930 retained imports in real terms increased fairly steadily; and so also, at a slightly

¹ *Economic Journal*, Dec., 1926, p. 560.

² *Survey of Overseas Markets*, pp. 2-3.

³ Calculated from the table on p. 667, *ibid.* An excess of world imports over world exports is, of course, to be expected, because most countries value imports at the port of arrival and exports at the port of shipment.

⁴ *Economic Journal*, 1926, p. 554.

THE ECONOMIC POSITION OF GREAT BRITAIN

lower rate—with a temporary set-back in 1926, the year of the general strike—did exports of British produce. The following index-numbers trace out the history:—

TABLE X
1924=100%

	Retained imports at 1924 prices.	Exports of British Produce at 1924 prices.
1924	100	100
1929	114·0	108·3
1930	111·3	88·7
1931	114·3	67·8
1932	100·6	68·1
1933	102·1	69·8
1934	107·9	75·1
1935	109·1	81·0

The great slump, as this table shows, struck British exports both earlier and more severely than imports. Whereas the latter in real terms still showed an increase over the previous year in 1931, exports had already fallen heavily in 1930. In 1931 slow recovery began and has since been accentuated for exports, but imports have continued to contract. Figures for the *volume* of world trade as a whole prepared by the League of Nations' Economic Intelligence Service record a fall of 22½% between 1929 and 1934, during which period the United Kingdom's share rose 13·05% to 13·85%.¹

20. From the standpoint of national income, in which we are here principally interested, these facts about quantities, taken by themselves, do not tell us much. For the implications of a decline in overseas trade are necessarily hidden until the causes behind it and the fate of the resources formerly engaged in it—whether they are turned to work

¹ *Economist*, Feb. 15th, 1936.

THE ECONOMIC POSITION OF GREAT BRITAIN

for the home market or are thrown into idleness—are known. Attention should, therefore, be paid to the following points.

21. First, as is well known, for this country before the War a substantial contribution to national income was made by interest received from foreigners on loans previously made to them. A part of this interest was brought home in the form of an excess of imports over exports and a part used for further investment abroad. Both parts, of course, were included in our national income. The following table gives the Board of Trade's estimate for the money value of our overseas investment income for a series of years :—

TABLE XI
Overseas Investment Income, £Mn.

1913.	1924.	1929.	1930.	1931.	1932.	1933.	1934.	1935.
210	220	250	220	170	150	160	175	185

In view of the much higher price level that ruled in 1924 as against 1913, it is plain that in the latter year our receipts of overseas investment income, translated into real terms, were much less than they had been before the War. But, contrary to what might have been expected, the great slump does not seem, in this matter, to have inflicted any substantial further injury upon us. The fall in money receipts due to defaults and reduced dividends was, as a glance at Table XII in § 23 will show, fully offset by the accompanying fall in the price of imports.

22. Secondly, against a 20% reduction in the volume of our exports, as reckoned at 1913 prices, which the Balfour Committee reported for 1924, and the enormous further drop which took place subsequently, must be set a fact that is *prima facie* highly favourable. The terms of trade, that is to say, the amount of imports that a representative unit of exports enables us to buy, had greatly improved. In 1924 the general price level of British exports stood

THE ECONOMIC POSITION OF GREAT BRITAIN

90% above the 1913 level, while the prices of British imports stood only 50% above the 1913 level. The Balfour Committee suggest that the export figure should be reduced from 90% to 80% in view of the quality changes referred to in § 17, but even so we have the result that a unit volume of British export goods of the same consistency as a unit volume in 1913 was buying, in 1924, $\frac{180}{150}$ times as large a bale of foreign imports of 1913 consistency as it did in 1913. That is to say, a representative unit of British exports, unchanged from 1913, was able to purchase 20% more imports in 1924. A main reason for this marked shift in our favour of the terms of trade was, no doubt, the fact that our imports consist, in the main, of raw materials and food. For, as against pre-War times, these commodities throughout the world (apart from special taxation) fell greatly in value relatively to manufactured goods, of which we are large exporters. The expansion of agricultural production in the new world under the stimulus of the War, the resistance there to subsequent contraction, and the determination of many European countries to re-establish, or even expand, the pre-War level of their agriculture, were responsible for that.

23. The table that follows shows what has happened since 1924 :—

TABLE XII
Relative Prices of Imports and Exports
1930=100%

			Imports.	Exports.	Terms of trade (Export prices ÷ import prices).
1924	..	..	130·8	120·9	92·5
1929	..	..	113·2	104·8	92·5
1930	..	..	100	100	100
1933	..	..	71·3	81·9	114·7
1935	..	..	75·1	81·8	108·9

THE ECONOMIC POSITION OF GREAT BRITAIN

The terms of trade were thus substantially the same in 1929 as in 1924; but, thereafter, with the great further fall in the prices of agricultural produce, they moved heavily in our favour. In 1933 a bale of exports bought nearly 23% more imports than it did four years before. With recovery the relative prices of agricultural, as against manufactured, goods have risen, and the terms of trade have accordingly worsened. It is to be expected that this movement will continue. Whereas the figure given in the table for 1935 as a whole is 108·9, the figure for the last quarter of that year was only 103. But a large further movement will need to take place if the 1929 situation is to be restored.

24. There remains a third point. Had the labour and equipment, set free by the improvement in the terms of trade from the task of buying imports, been able to move into other forms of production for the home market, the associated cheapening of imports would have been an unmixed gain. But in fact transfer broke down, and the workers displaced from export industries became unemployed. The benefit that the improvement in the terms of trade might have been expected to confer on our national real income was, consequently, in large part nullified. Moreover, the abnormal cheapening of important classes of imports was not the only, or even the chief, influence at work in restricting, or, rather, in holding back from expansion, the volume of our overseas trade. Under the impulse of the great slump, over a large part of the world tariff walls have been raised, and quotas and exchange restrictions imposed. These things must in any event have injured us by diverting our productive resources from more to less favourable channels. In actual fact they drove a great part of these resources, as well as of those set free by our ability to buy imports at less cost, into involuntary idleness. In this way they inflicted on our real national income

THE ECONOMIC POSITION OF GREAT BRITAIN

substantial damage, holding it at a substantially lower level than, in a world of freer intercourse, it might easily have attained.

VII

THE EARNINGS OF MANUAL WORKERS

25. From a general social point of view the most important part of the national income is that which accrues to manual wage-earners. For these, in the aggregate, constitute the bulk of the population, and, as individuals, enjoy incomes so small that slight percentage changes in their amount are, nevertheless, very significant. In attempting to compare this part of the real national income with what it was before the War, we are faced with the fact that the proportion of wage earners out of employment has become much larger, and that, therefore, average rates of wages per head of persons in work do not bear so high a ratio to average *earnings from wages* as they used to do. In view of that complication it will be convenient to break up this part of our enquiry into three divisions, considering first wage rates, secondly unemployment, and finally the two in combination.

(a)

WAGE RATES.

26. Let us take first money rates of wages per week for a representative wage earner in full work. Sir Josiah Stamp and Dr. Bowley, in their work on *The National Income in 1924*, wrote of Great Britain and Northern Ireland: "The average man at full work in 1924 obtained about 60s. a week. The corresponding figure for 1914 is 32s. The working week has been reduced about 10% in the period, and the average *hourly* earnings of men have been increased from about 7½d. to 15½d."¹ They estimated that the

¹ *The National Income in 1924*, p. 30.

THE ECONOMIC POSITION OF GREAT BRITAIN

average earnings of all wage earners for a full working week had increased 94% between 1914 and 1924. They explained the difference between their figure and that of the Ministry of Labour, which was 71%, as follows. First, "there is definite evidence that, in some of the greater industries, earnings have increased much more rapidly than piece or time rates": for example, with improved appliances a piece worker will make more product, and so will get higher weekly pay at the same piece wage. Secondly, "there has been some change-over from time to piece rates"—which, in general, yield higher earnings. Thirdly, there has been some shifting of numbers in favour of the better paid occupations and industries, which must tend to raise the average.¹ It should be added that, during this period, the absolute increase in money wages was about the same for unskilled as for skilled workers, so that the unskilled (including the bulk of the women and children) made a substantial *relative* advance. From 1924 to 1929 average rates of money wages remained practically stationary. According to the index-number prepared by Dr. Bowley for the London and Cambridge Economic Service—in which shifts in the relative numbers engaged in different occupations are not taken into account²—by the second half of that year it had fallen only 1%. Thereafter a gradual downward movement brought it in 1933 and 1934 to some 6% below the 1924 level. With the recovery of the last two years the downward movement was reversed, and, by the end of 1935, the index had risen some 2%, standing 4% below the 1924 level. During the period since 1924 some of the *relative* advance made by unskilled wage earners, as compared with skilled, has been lost, particularly in building and engineering. Thus, Mr. Ramsbottom of the Ministry of Labour concludes: "An examination of all

¹ *The National Income in 1924*, p. 31.

² Cf. London and Cambridge Economic Service, *Special Memorandum* 28, p. 6.

THE ECONOMIC POSITION OF GREAT BRITAIN

the available data for the past fourteen years leads to the conclusion that the average percentage reduction in rates of wages generally over that period has been rather greater for unskilled labourers than for skilled workmen."¹

27. The marked steadiness in the average money rate of wages, which recent index numbers show, has led some writers to ascribe to wage rates generally great stickiness and resistance to change in the face of shifts in demand. This, however, is a wrong inference. In Mr. Ramsbottom's enquiry the general reduction in weekly full time rates of wages for workpeople of corresponding grades between December, 1924, and December, 1934, was put at 6%.² But "this general average conceals wide variations in different groups of industries. In mining and quarrying and in the textile industry the reduction averaged about 15%; in the building and contracting and certain materials group about 9 or 10%; in transport 5 or 6%; in the chemical, engineering and metals, clothing, food and drink, paper and printing, and electricity, gas and local authorities groups, only about 1 or 2%; and the figures for agriculture show an increase averaging about 6 or 7% . . . Such figures suggest that in some of the frequent discussions of the effects of 'rigidity' of wage rates in recent years attention may have been mainly concentrated on the movements of the general average, and full regard may not always have been given to the movements in individual industries."³

28. Attempts to estimate changes in *real* wage-rates are subject to the same difficulty of principle that was described in connection with *real* incomes: though here,

¹ *Statistical Journal*, 1935, Part IV, p. 657.

² In Mr. Ramsbottom's index, apart from coal-mining, account is not taken of shifts of workpeople between occupations (*Statistical Journal* 1935, Part IV, p. 662). In this respect it differs from Dr. Bowley's 1914-24 comparison.

³ *Statistical Journal*, 1935, Part IV, pp. 653-4.

THE ECONOMIC POSITION OF GREAT BRITAIN

since the range of commodities affected is smaller, the practical importance of the difficulty is somewhat less. At all events there is a well-recognised customary procedure. This is to combine statistics of money wage rates with the Ministry of Labour's figures for "The Cost of Living," i.e., the price of the collection of things (including house room) on which the money income of a representative working-class family was found, by an investigation of the Board of Trade conducted in 1904, to be spent. On this basis the Colwyn Committee¹ (1927) print the following table :—

TABLE XIII

	Weekly rate of money wages for adults (annual average)	Cost of living index (annual average).	Real rate of wages.
1914 (end of July) ..	100	100	100
1920	256	249	103
1921	240	226	106
1922	185	183	101
1923	169	174	97
1924	171	175	98
1925	175	176	99

The Balfour Committee, proceeding along the same general lines, wrote in 1926 : " It is a legitimate inference from the available data that, in industries in which time rates of wages prevail, skilled workers employed in industries directly exposed to foreign competition were in 1924 on the average less well off than before the War, while, on the other hand, unskilled workers generally and workers both skilled and unskilled in the so-called ' sheltered ' industries have, generally speaking, if with some exceptions, improved their average position as regards purchasing power."² The Committee concluded that, on the average, the real level

¹ *Report of the Committee on National Debt and Taxation*, p. 7.

² *Survey of Industrial Relations*, p. 10.

THE ECONOMIC POSITION OF GREAT BRITAIN

of *weekly* full-time wages at the end of 1925 was about the same as before the War.¹ If we prefer Bowley and Stamp's estimates for money wages, a more optimistic result emerges. There appears to have been between 1914 and 1924 a substantial increase—some 11%—in the average rate of weekly real wages for people in full employment.

29. From 1924-5 to 1929 real wage rates calculated on the above plan rose, according to Mr. Ramsbottom, by some 4%. Thereafter, with the general fall in prices that accompanied the great depression, they rose rapidly. Mr. Ramsbottom's figures are as follows:—

TABLE XIV
'Real Wage' Index : Average of 1924 = 100%

<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 15%;">End of 1920</td><td style="width: 10%;">..</td><td style="width: 10%;">..</td><td style="width: 15%;">102</td></tr> <tr><td>" 1921</td><td>..</td><td>..</td><td>109½</td></tr> <tr><td>" 1922</td><td>..</td><td>..</td><td>97½</td></tr> <tr><td>" 1923</td><td>..</td><td>..</td><td>97</td></tr> <tr><td>" 1924</td><td>..</td><td>..</td><td>98</td></tr> <tr><td>" 1925</td><td>..</td><td>..</td><td>101½</td></tr> <tr><td>" 1926</td><td>..</td><td>..</td><td>101½</td></tr> <tr><td>" 1927</td><td>..</td><td>..</td><td>104</td></tr> </table>	End of 1920	102	" 1921	109½	" 1922	97½	" 1923	97	" 1924	98	" 1925	101½	" 1926	101½	" 1927	104	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 15%;">End of 1928</td><td style="width: 10%;">..</td><td style="width: 10%;">..</td><td style="width: 15%;">103½</td></tr> <tr><td>" 1929</td><td>..</td><td>..</td><td>104</td></tr> <tr><td>" 1930</td><td>..</td><td>..</td><td>112</td></tr> <tr><td>" 1931</td><td>..</td><td>..</td><td>114</td></tr> <tr><td>" 1932</td><td>..</td><td>..</td><td>116½</td></tr> <tr><td>" 1933</td><td>..</td><td>..</td><td>116</td></tr> <tr><td>" 1934</td><td>..</td><td>..</td><td>115½</td></tr> </table>	End of 1928	103½	" 1929	104	" 1930	112	" 1931	114	" 1932	116½	" 1933	116	" 1934	115½
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Of course, as he rightly points out, these percentages "should not be regarded as an exact measure of the changes in the average level of real wages; but the figures given indicate that the average percentage reduction in working class cost of living in recent years has been substantially greater than that in rates of wages for a full week's work, and that the real wages of workers *in full employment* have been considerably higher, on average, during the past five years than they were in the years 1923 to 1929, or at the end of 1920."²

(b)

UNEMPLOYMENT

30. As is well known, a fundamental difference between post-War and pre-War conditions in this country has to

¹ *Survey of Industrial Relations*, p. 98.

² *Statistical Journal*, 1935, p. 661.

THE ECONOMIC POSITION OF GREAT BRITAIN

do with unemployment. At all times there have been considerable fluctuations in the numbers involuntarily idle as between good years and bad; but, whereas before the War the mean figure, round which unemployment moved, was in the neighbourhood of $4\frac{1}{2}\%$, since the War it has been very much higher. Since 1921 there has only been one year (1927) in which the percentage of insured persons out of work was less than 10%. During the War itself unemployment practically disappeared, but in 1921—the year of the Coal Strike—it shot up, according to the Trade Union figure, to 14·8%, according to the State Insurance figure, to 16·6%; and thereafter has always been high. From 1924–9 the State Insurance figure lay between a maximum of 12·3% and a minimum of 9·6%; and it became customary to speak of ‘the intractable million’, below which the number of persons out of work could not be got to fall. But, with the development of the great depression, the situation rapidly worsened, till in 1932 an annual unemployment percentage of 21·9% was reached. In the worst month of all, January, 1933, the total figure for men and women together fell short by only 50,000 of the three-million mark. Since then there has been a steady improvement. In December, 1935, the number recorded was over a million less than two years before. The annual percentages of insured persons out of work, as reported in the *Ministry of Labour Gazette* for January, 1936 (p. 2), are as follow:—

TABLE XV

Percentages of Insured Persons Unemployed in (a) Great Britain and Northern Ireland and (b) Great Britain.

	(a)	(b)		(a)	(b)		(a)	(b)
1921 ..	17·0	16·6	1926 ..	12·5	12·3	1931 ..	21·3	21·1
1922 ..	14·3	14·1	1927 ..	9·7	9·6	1932 ..	22·1	21·9
1923 ..	11·7	11·6	1928 ..	10·8	10·7	1933 ..	19·9	19·8
1924 ..	10·3	10·2	1929 ..	10·4	10·2	1934 ..	16·7	16·6
1925 ..	11·3	11·0	1930 ..	16·1	15·8	1935 ..	15·6	15·3

THE ECONOMIC POSITION OF GREAT BRITAIN

31. Of course, the fact, recorded in the Table, that from 1930 onwards the annual average of unemployment has always exceeded 15%, does not mean that a constant group of identical individuals, amounting to 15% of the working population, have been permanently without jobs. On the other hand, it does not mean that everybody has been out of work 15 days out of a hundred, say, seven weeks in the year. What has actually happened is shown by the results of special enquiries undertaken from time to time by the Ministry of Labour into the way in which unemployment has been distributed between short and long spells. In 1929, when the general percentage level of unemployment had been fairly constant for a number of years, the Ministry carried out two investigations, based on 1% samples, on March 18th and September 16th respectively, into the period for which those then unemployed, who made application for benefit, had been without a job. In each of these months the aggregate percentage of unemployment was 10%. Averaging the two sets of numbers, which are fairly close, we obtain the following table:—

TABLE XVI

	MEN.		WOMEN.
	All industries.	All industries other than coal mining.	All Industries.
	%	%	%
Less than 3 months ..	30·8	33·5	51·1
3—6 months	29·5	31·3	30·9
6—9 "	20·2	20·95	11·65
9—12 "	14·5	11·95	5·55
12 months or more ..	5·0	2·3	0·8

Thus, even apart from coal-mining, two-thirds of the men unemployed had been out of work for more than three months, and more than one-third for over six months¹. Among the women unemployed nearly half had been out

¹ Based on tables in the *Ministry of Labour Gazette*, January, 1930, p. 7.

THE ECONOMIC POSITION OF GREAT BRITAIN

of work for over three months and one-fifth for over six months. Statistics bearing on this matter are now published in the *Ministry of Labour Gazette* every month. The table relating to December, 1935, is given below¹ :—

TABLE XVII

	Applicants, aged 16-64, who have been on Register.					
	Less than 3 months.	3 months but less than 6 months.	6 months but less than 9 months.	9 months but less than 12 months.	12 months or more.	Totals.
NUMBERS						
Men, 18-64 ..	681,924	158,247	83,402	64,368	357,039	1,344,980
Boys, 16-17 ..	12,102	1,937	234	1	1	14,275
Women, 18-64..	157,229	28,788	9,680	6,016	19,804	221,517
Girls, 16-17 ..	7,495	727	48	—	—	8,270
Total ..	858,750	189,699	93,364	70,385	376,844	1,589,042
PERCENTAGES						
Men, 18-64 ..	50·7	11·8	6·2	4·8	26·5	100
Boys, 16-17 ..	84·8	13·6	1·6	0·0	0·0	100
Women, 18-64..	71·0	13·0	4·4	2·7	8·9	100
Girls, 16-17 ..	90·6	8·8	0·6	—	—	100
Total ..	54·1	11·9	5·9	4·4	23·7	100

The Ministry of Labour's comments are as follows : " Of the 858,750 applicants who had been on the register for less than three months, approximately 620,000, or 39·0% of the total number of applicants, had been on the register for less than six weeks. Of the 376,844 applicants who had been on the register for twelve months or more, 147,418 had been on the register for less than two years, 76,814 for two years but less than three years, 57,376 for three years but less than four years, 51,087 for four years but

¹ *Ministry of Labour Gazette*, January, 1936, p. 26.

THE ECONOMIC POSITION OF GREAT BRITAIN

less than five years, and 44,149 for five years or more." The above Table makes it plain that, with the much larger total of unemployment that exists now, as against 1929—14·2% in December, 1935, instead of 10%—the *proportion* of unemployed persons who have been out of work for short spells has substantially increased.

32. The Balfour Committee called attention to the relation between the increase in the number of persons unemployed and the simultaneous increase in the employable population. On a basis of reasonable assumptions, they find that the extra unemployed in 1924, as against 1913, amounted to 800,000; while the employable population increased by some 900,000.¹ These rough estimates suggest that the number of persons actually finding employment remained then substantially what it was before the War, the additional employable population and the additional unemployed about balancing one another. The table on next page shows from 1924 onwards the number of insured workers, of unemployed, and of persons in work, in each year.

Thus from June, 1924, to June, 1932, the number of persons in work fell by nearly 300,000, while the number of insured workers grew by 1,500,000. But, between June, 1932, and December, 1935, the number in work rose by over 1,300,000, as against a growth of 300,000 in the number insured. Thus, over the whole period, the number coming into insurance exceeded by 800,000 the number who had found work. This is a very depressing fact. None the less, the period 1924 to 1935, taken as a whole, has been *more* satisfactory than that from 1913 to 1924. For, whereas, over the earlier period practically the whole of the addition to the employable population was offset by unemployment, over the latter period a million persons—well over half of the new employable population—have found work.

¹ *Survey of Industrial Relations*, p. 37.

TABLE XVIII
1924-35. Numbers (aged 16-64) Insured, Unemployed and in Work
Figures in 000's.

	June, '24.	June, '29.	Dec., '29.	June, '30.	Dec., '30.	June, '31.	Dec., '31.	
Insured ..	11,061	11,834	11,938	12,138	12,320	12,500	12,640	
Unemployed ..	1,010	1,116	1,293	1,839	2,399	2,621	2,590	
In Work ..	10,051	10,718	10,645	10,299	9,921	9,879	10,050	
		} -100 ¹	} -100 ¹	} -170 ¹	} -170 ¹	} -170 ¹	} -80 ¹	
	June, '32.	Dec., '32.	June, '33.	Dec., '33.	June, '34.	Dec., '34.	June, '35.	Dec., '35.
Insured ..	12,543	12,582	12,620	12,653	12,690	12,730	12,776	12,850
Unemployed ..	2,770	2,700	2,429	2,198	2,066	2,021	1,936	1,796
In Work ..	9,773	9,882	10,191	10,455	10,624	10,709	10,840	11,054

¹ According to official estimates, in view of recent administrative changes in the Unemployment Insurance Scheme, the figures of unemployed and of insured population must be reduced by these amounts in order to make them comparable with figures of the present day. Since the figures of unemployed and of insured population are both changed similarly, the estimate of the numbers in work remains unaffected.

THE ECONOMIC POSITION OF GREAT BRITAIN

(c)

REAL EARNINGS OF WAGE EARNERS ALLOWING FOR UNEMPLOYMENT

33. It remains to bring the movements of real wages and the movements of unemployment together. If, following Bowley and Stamp, we reckon that real wages for a full time week stood in 1924 at some 11% above the pre-War level, this implies, when unemployment is allowed for, a rise in real earnings per head of some 3% or 4%. Between 1924 and 1934, if we accept Mr. Ramsbottom's figures, the real wage index had risen some 17%, while unemployment had increased from about 10% to about 16%. These figures combined give an increase in the rate of real wages per head, when unemployment is allowed for, of some 9%. This is a substantial increase: though, it should be noted, if the estimates given in Table VII are accepted, it is only about half as large as the increase in real income per head of the population as a whole. It must be remembered further that this 9% improvement is an average made up from very divergent elements. The good fortune of the wage earners in some industries has been substantially larger than it suggests. But other industries, the unsheltered and the depressed, coal-mining and ship-building, for example, so far from making a gain of this magnitude, have suffered since 1924 heavy real loss. Thus, if we apply the method followed above to ship-building, we find that the rate of real wages, when unemployment is allowed for, has fallen between 1924 and 1934 some 8%; in cotton it has fallen about 4%. None the less, the broad fact remains that wage-earners as a whole, in spite of the heavy increase in unemployment, have secured substantially enhanced real earnings per head during the last ten years. The slight advance made between 1914 and 1924 has been, not only maintained, but accentuated.

THE ECONOMIC POSITION OF GREAT BRITAIN

Moreover, since pre-War days the number of dependent children per average family has decreased ; with the result that the pressure of needs on the poorest class of worker is substantially lightened.¹ Again, wage-earners as a body, through the reduction in the length of the working day, have increased their income of leisure—that highly desirable quasi-commodity—to the extent of five or six hours per week. Finally, in any reckoning of the progress of the wage-earning classes, it is proper to bring into account the great growth, that has taken place since the beginning of this century, in expenditure, otherwise than out of the wage-earners' own contributions, on social services—pensions, health insurance, education, housing, unemployment insurance and so on. In the quinquennium before the War, this expenditure was in the neighbourhood of £100 Mn. a year ; over the period 1932–5 it was well over £400 Mn. a year—an increase enormously larger than can be accounted for by the increase in population and the higher level of prices. It might be thought at first sight that the increase in wage-earners' payments of indirect taxes ought to be set off against this. But, in the estimates made of real earnings, these indirect taxes have already been allowed for, since the prices of the things that enter into the cost of living have, of course, been counted *cum tax*. It would be incorrect to allow for them a second time.

VIII

HOUSING CONDITIONS

34. A very important element in the well-being of any community consists in the housing conditions which it enjoys. For England and Wales much light has been thrown on this difficult matter by the Housing Report of the 1931 Census. It is well known that, during the War

¹ Cf. Bowley, *Has Poverty Diminished?* (1925), p. 23.

THE ECONOMIC POSITION OF GREAT BRITAIN

years, building activity was greatly curtailed. Whereas the decennial rate of increase in the number of houses had never, prior to 1911, fallen below 10%, in the decennium of 1911-21 it was only 3·7%—the absolute number of structurally separate dwellings rising from 7,691,000 to 7,979,000. In the next decennium there was a strong reaction, a rise to 9,400,000, that is, by 17·8%—the largest decennial increase that there had been for 60 years. The hardship induced by the shortage of houses up to 1921 consisted largely in the fact that people, who would have liked to set up in separate establishments as separate census families (in the main, private domestic households including resident servants), were “obliged to live in the closest domestic contact with other persons from whom they desired to separate themselves.”¹ Some three or four hundred thousand census families, which would normally have come to birth, were prevented by the shortage from doing so. The main reason for this pressure was that, with the diminishing size of natural families due to the fall in the birth-rate, the number of would-be census families was increasing much faster than the population. The large amount of additional building that took place between 1921 and 1931—the number of dwellings growing by 17·8% as against a population growth of about 5%—had to serve two purposes, *i.e.* to meet the current growth in would-be census families and also to release into activity the potential census families that had previously been pent up behind the barrier of the housing shortage. During the last few years, as is well known, a further great expansion has taken place in house-building. From April 1931 to September 1935 1,144,000 more new houses, an addition of 12% to the number in existence in 1931, have been built. Even so, however, the housing problem, particularly in relation to the very poor, is still far from solution.

¹ *Report*, p. x and p. xx.

THE ECONOMIC POSITION OF GREAT BRITAIN

IX

THE DISTRIBUTION AND USE OF INCOME

35. Up to this point we have been occupied, in the main, in describing processes of change. It may be of interest, in conclusion, to set out two tables illustrating important aspects of the country's economic situation at the present time, or rather at the dates nearest to the present time for which estimates are available. The first of these, prepared by Mr. Colin Clark, describes the distribution of the money income of Great Britain and Northern Ireland in 1929. In Mr. Clark's opinion, since proportions of the national income taken by the different factors of production are now nearly the same as they were in 1929, this table is approximately applicable to conditions of the present day.

TABLE XIX
*Income Distribution*¹

Income.	Nos. (000).	Income £Mn.
Over £10,000	10	221
„ £2,000-10,000	100	378
„ £1,000-2,000	199	237
„ £500-1,000	508	312
„ £250-500	1,527	404
Over £250	2,344	1,552
£125-250	4,925	980
Below £125	11,600	1,170
Total	18,869	3,702

The above table relates to *personal* incomes without adjustment as in § 9 for National Debt interest. It

¹The numbers and amounts of incomes over £125 are given by the income-tax assessments, and for incomes over £2,000 by the surtax assessments. The number of incomes below £250 can be determined from the number of Health Insurance contributors, and their aggregate income estimated from wage and salary statistics. The estimates for the intervening income ranges are based on statistics of assessments at those ranges given in the House of Commons (May, 1933).

THE ECONOMIC POSITION OF GREAT BRITAIN

does not include the unemployed, but includes certain unoccupied persons with incomes from property. It refers, of course, to incomes as received, not to those incomes after they have paid their several quotas of highly graduated income tax. It will be observed that at the top end of the scale some 12% of the income receivers took 42% of the whole national income; while at the bottom end some 60% of the income receivers had less than £125 a year, i.e. about £2 8s. 0d. a week.

36. The second table, prepared by Mr. Feavearyear,¹ gives a picture of the way in which the income of the community is used. The table, which is, of course, very rough, refers to the year 1932 :—

TABLE XX
Percentages of National Money Income Expended in Various Ways

Food	30½
Maintenance of Homes	15½
Clothes	8½
Drink, smoking, entertainments and sport	12½
Travel	7½
Religion, reading and miscellaneous	6½
Investment in new capital, including new houses and furniture ²	5½
Direct taxation and State Insurance contributions	14
	100

According to Mr. Neal's estimate in his book on *Retailing and the Public* (1930), some one-half of the total expenditure classified in the table passes through retail shops, being divided about equally between food and drink and other things. The number of these shops in England and Wales is probably between six and seven hundred thousand.³

¹ *Economic Journal*, March, 1934, p. 45.

² In the quinquennium before the war investment amounted to about 12% of annual income and direct taxation to about 4%.

³ The 1921 Census records 615,000 buildings classed as shops. There is no corresponding record in the 1931 Census: but Mr. Ford's investigations (*Economic Journal*, Sept., 1935) suggest that since 1921 the number of shops has grown more or less in proportion to the population.

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